

20

TREASURY DEPARTMENT



WASHINGTON, D.C.

May 12, 1969

FOR IMMEDIATE RELEASE

TREASURY LIFTS COIN MELTING BAN AND REVISES
WEEKLY SILVER SALES PROGRAM

The Treasury Department announced today that it will reduce the amount of silver offered at its weekly auction from 2 million ounces to 1-1/2 million ounces, and lift the ban on melting silver coins.

Silver sales will be open to all bidders.

The announcement followed a meeting of the Joint Commission on the Coinage, chaired by Secretary of the Treasury David Kennedy.

The Treasury will present and urge prompt enactment of legislation to authorize the minting of a non-silver, half dollar -- the minting of a non-silver dollar coin -- and, under a plan recommended by the Joint Commission, sale of the 2.9 million rare silver dollars still held by the Treasury. The recommendation was made by the Commission on December 5, 1968.

The Treasury will also reduce the weekly amount of silver offered for sale through the General Services Administration from the present 2 million ounces to 1-1/2 million ounces, and maintain this level until the present surplus of about 150 million ounces is exhausted. A set-aside for small businesses will be continued.

The GSA weekly silver sale will be open to all competitive bidders without restriction on the use of the silver purchased and the existing administrative ban on the melting and export of silver coins will end.

Changes in the amount of GSA weekly sales and the bidding procedure will be effective as of the May 27 offering. Details of this change will be announced by the GSA shortly.

The end to the ban on the melting and export of silver coins will take effect immediately.

A copy of Secretary Kennedy's statement to the Commission is attached.

Attachment
K-88

OPENING STATEMENT OF THE SECRETARY BEFORE
THE MEETING OF THE JOINT COINAGE COMMISSION
MAY 12, 1969, 9:30 A. M.

This is the first meeting of the Joint Commission on the Coinage under the new Administration and I want to express my appreciation and that of President Nixon for your taking the time from busy schedules to give us the benefit of your thinking on some hard decisions that must be made on our remaining silver and coinage issues.

Under authority of the Coinage Act of 1965, this bipartisan Commission has the responsibility of giving advice on silver and coinage problems to the President, the Secretary of the Treasury, and the Congress. When it was first activated I think few envisaged the key role the Coinage Commission would play in the actual policy decision making process. In addition to making available to the Treasury a broad range of expertise on complex monetary problems, the Commission meetings have served as a useful forum for a frank exchange of views between the Administration and key members of Congress which has clearly been in the best public interest. At this time we again seek your advice.

For a number of weeks a Task Force within the Treasury headed by General Counsel Paul Eggers and including Assistant Secretary Rossides,

Deputy Under Secretary MacLaury, and other officials has been taking a hard look at the entire range of silver and coinage policy issues. The basic objective of this broad review was not simply to reach judgments on each of these issues in isolation but rather to develop a balanced over-all program, fair to the public as consumers and taxpayers as well as to silver producers and industrial users. The Treasury group has completed its work and a copy of their report has been sent to each of you.

I have carefully reviewed the report of the Treasury Task Force on Silver and Coinage Policy and strongly endorse the recommendations therein as being fully in the public interest. The proposed legislative and administrative actions will be discussed in the course of our meeting, but let me briefly review the highlights and give you some of the reasons why I consider this to be a sound program.

The first recommendation, for the minting of a non-silver clad half dollar, is consistent with the conclusions reached by the Commission at its meeting last December. I think the convincing argument here is that despite the minting of some 760 million 40 percent silver half dollars over the past three years, very few of these coins are actually circulating. Even if we were to continue pouring all of our remaining 150 million ounces of surplus silver into the silver half

quantity. Moreover, this use of our remaining silver would require a halting of surplus silver sales which would very probably drive the price up excessively and further stimulate the hoarding of these coins. In short, the 40 percent half dollar on our past experience is simply a losing proposition.

If we are authorized to mint a non-silver half dollar, I am confident that within a reasonable period of time this coin will circulate in adequate quantity for all commercial needs.

The second major recommendation in the Treasury Report, and one to which we gave a great deal of careful attention, is that the current administrative ban on the melting and export of silver coins be discontinued. I am aware that at your meeting last December the Coinage Commission reached a different conclusion, but I think the basic situation has substantially changed and a review of this issue is in order. In contrast to the situation in the past, the melting ban no longer either keeps silver coins in circulation or contributes to the Treasury's supply of silver coins. Since July 1968 we have added very few coins to our inventory. And I rather doubt that a determination by the Congress affirming the ban would cause any appreciable amount of these coins to circulate. In short, I think there is no longer a really constructive reason for maintaining the ban on the melting of coins which was first established in 1967 for purposes which no longer apply.

The Treasury Report next covers sale of surplus silver through the GSA and recommends that the weekly amount offered be reduced from 2 to 1-1/2 million ounces. At the same time the Report urges that it be made clear, as nearly as possible, how long these silver sales will be maintained. The purpose of the latter point is to reduce the element of uncertainty which has disrupted the market in the past. If, as recommended, the minting of a non-silver half dollar is authorized then all of the Treasury's current supply of silver becomes surplus to its needs. As you know, a separate 165 million ounce strategic stockpile of silver has already been established by law. In the judgment of the Office of Emergency Preparedness this stockpile is fully adequate for emergency needs.

I would point out that the GSA sale of silver not only adds to the Treasury's revenue but makes a solid contribution to our balance of payments by reducing the need for commercial silver imports. In my judgment these sales should be continued. However, we must recognize that at some point the Government will cease to be a silver supplier. It is clearly in the public interest that the market adjustment to this fact be as smooth as possible. I think a reduction in the weekly amount of silver offered and the maintenance of sales at that level will tend to ease this adjustment. If we set a firm sales figure and indicate the

pool of surplus silver to be made available, both silver producers and consumers will be on notice as to when, within reasonable limits, the Treasury supply will end and can base their planning on this awareness.

The Treasury Report also recommends that the GSA silver sales be open to all bidders with no restrictions on the silver purchased. When these sales were begun in August 1967 the Treasury, mainly because of the prevailing refinery strike, required that the silver purchased be used in domestic industry. However, it was also announced at that time that this restriction would be removed as soon as feasible. I think this change should be made now.

The final two recommendations of the Treasury Report are in accord with the decisions reached by this Commission at its December meeting. The first is that the Congress authorize the minting of a non-silver dollar coin. I think this is an excellent idea and fully endorse it. Such a coin should be increasingly useful in the future, particularly in view of the steady expansion of the vending machine industry.

The final recommendation in the Treasury Report is an endorsement of the plan sponsored by the Coinage Commission to dispose of the Treasury's 2.9 million rare silver dollars. While

- 6 -

any plan for this purpose will have shortcomings - and this one is no exception - I think the plan is the best I have seen and deserves serious consideration by the Congress.

This then is a brief summary of the highlights of a program which, in my judgment, constitutes a reasonable and balanced approach to resolving the silver and coinage issues this Commission has been concerned with since its inception.

oOo